REPORT

OF THE

SUPERINTENDENT OF PENSIONS

ON THE

ADMINISTRATION OF THE PENSION BENEFITS ACT

FOR

THE YEAR ENDING MARCH 31, 1999

NOVA SCOTIA

Department of Finance
Pension Regulation Division

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May 29, 2000

The Honourable Neil LeBlanc
Minister of Finance
P.O. Box 187
HALIFAX, NS B3J 2N3

Dear Sir:

Pursuant to the requirements of Section 94 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ended March 31, 1999.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

NMS/aa

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TWENTY-SECOND ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 1999

INTRODUCTION

In accordance with Section 94 of the *Pension Benefits Act* (RSNS, 1989, ch. 340) , the Superintendent of Pensions is required to report annually to the Minister of Finance. This Report covers the affairs and transactions of the fiscal year 1998-99.

The *Pension Benefits Act* governs employer-sponsored pension plans established in respect of Nova Scotia employees. It does not apply to employees engaged in work that is subject to federal jurisdiction, nor does it apply to the pension plans established for provincial public servants, teachers, judges, or members of the legislature.

The main objective of the *Pension Benefits Act* is to safeguard employee entitlements to benefits promised under private sector plans. This is accomplished through the establishment of minimum funding standards and minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, spousal benefits, prohibitions against sex discrimination and disclosure of information.

The Superintendent of Pensions, Pension Regulation Division, is responsible for the administration of the Act.

The Division regulates 501 pension plans, covering 67,665 members, at January 1, 1998 (based on information collected by the Division and provided to Statistics Canada).

PENSION BENEFITS STANDARDS LEGISLATION

In addition to the *Pension Benefits Act* of Nova Scotia, pension benefits standards legislation has been enacted by the following governments:

Canada	Pension Benefits Standards Act, effective October 1967. Revised effective January 1, 1987.
Ontario	The Pension Benefits Act, 1965, effective January 1, 1965. Revised effective January 1, 1988.
Saskatchewan	The Pension Benefits Act, 1967, effective January 1, 1969. Revised effective January 1, 1993.

Quebec	Supplemental Pensions Plan Act, effective January 1, 1966. Revised effective January 1, 1990.
Manitoba	The Pension Benefits Act, effective July 1, 1976. Amended to January 1, 1990.
Alberta	Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefit Act which was effective January 1, 1967).
Newfoundland	The Pension Benefits Act, effective January 1, 1985. Revised effective January 1, 1997.
New Brunswick	The Pension Benefits Act, effective January 1, 1992.
British Columbia	The Pension Benefits Standards Act, effective January 1, 1993.

The representatives of those authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas. Representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA).

In essence, CAPSA is an interjurisdictional association of pension supervisory authorities whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA met in September, 1998, in Fredericton and in March 1999, in Toronto. The development of a strategic plan for CAPSA, and legislative and regulatory harmonization provided the main focus of the two meetings.

AGREEMENTS WITH OTHER AUTHORITIES

Agreements with the Government of Canada and other provinces having pension legislation provide for the reciprocal registration, audit and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members. The regulatory body in the jurisdiction of registration applies the rules of other jurisdictions where applicable.

PROPOSED REFUSAL/HEARING

Mount Saint Vincent University

The Superintendent proposed to refuse consent to a refund of surplus from the Retirement Plan for Employees of Mount Saint Vincent University (the "Plan") to Mount Saint Vincent University (the

"University") on October 7, 1998, on the basis that the Plan no longer had the amount surplus that was identified in the application for approval for a refund.

The University requested a hearing in respect of that proposal; the hearing was held on December 10, 1998.

On February 10, 1999, the Superintendent issued a refusal of the request made by the University for a refund of surplus.

LEGISLATIVE REVIEW

In 1998 staff of the Division performed in extensive review of the Pension Benefits Act and Regulations and identified three categories of items for consideration.

The first category consisted of housekeeping changes, which would bring greater clarity to the Act. Other suggestions for change identified were considered as minor, relating to harmonization of administrative practices with other pension legislation in the country.

For the third category, relating to policy issues, a discussion paper was prepared and released on November 25, 1998.

Over 880 copies of the discussion paper were distributed to sponsors of Nova Scotia registered pension plans, pension consultants, financial institutions, other pension regulators and interested individuals. Over 130 responses were received.

A draft bill was prepared which would amend the Act for housekeeping changes, harmonization with other jurisdictions, and which would address the policy issues for which public opinion was sought.

OPERATION OF THE DIVISION

As at March 31, 1999, the Division was responsible for the supervision of 509 pension plans. Seven applications for registration were received during the fiscal year and eleven of the filed plans were in the process of being wound up.

A total of 8 Certificates of Registration were issued. Seven plans submitted prior to April 1, 1998, and five submitted in 1998/99 require further documentation and/or amendments before they will be accepted for registration.

The Division received 1,544 pieces of correspondence during the 1998-99 period, and responded within an average of 20 days.

Three hundred eighteen pension plan documents were approved during the fiscal year.

As at April 1, 1998, there were 95 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As at March 31, 1999, there were 114 on the List.

SUMMARY OF PENSION PLANS APPROVED TRANSFERRED OR TERMINATED TO MARCH 31, 1999

	TOTAL AS AT MARCH 31, 1998	ADDITIONS - (DELETIONS)	TOTAL AS AT MARCH 31, 1999
Filed Plans	1,326	7	1333
Plans Transferred From Other Jurisdictions	17	0	17
Applications Withdrawn	(13)	0	(13)
Plans Terminated	(733)	(22)	(755)
Plans Transferred To Other Jurisdictions	(73)	(0)	(73)
Active Plans On File	524	(15)	509
Deduct: Plans In Process of Registration	(13)	1	(12)
Registered Plans	511	14	497

The following table shows that during the period under review, 22 pension plans were terminated covering 643 employees. There were two partial plan terminations affecting 14 members.

TERMINATED PENSION PLANS

REASON	# OF PLANS	# OF ACTIVE MEMBERS
No members left	4	0
Financial difficulty/bankruptcy	3	26
Company dissolved/sold	1	17
Replaced with Group RRSP	4	125
Merged with another	5	460
No reason given	5	15
TOTAL	**22**	**643**

CONTRIBUTIONS

In accordance with Section 27(1) of the *Pension Benefits Act*, every employer with a registered pension plan in Nova Scotia is required to file an Annual Information Return(AIR) outlining the contributions made to the pension plan and changes in plan membership.

Contributions and membership data from filed Annual Information Returns are complied and forwarded to Statistics Canada for the inclusion in their Annual Report on pension plans in Canada. Information from the Return is also forwarded to Revenue Canada.

Total contributions remitted for 1998 were $194,375,750, up from $178,081,900 in 1997.

Based on the Returns filed with the Division, the Employee and Employer Contributions to pension plans under supervision for the year ending December 31, 1998, were as follows:

1998 CONTRIBUTIONS:

Employee Required Contributions	$61,622,082	
Employee Voluntary Contributions	3,799,532	
TOTAL EMPLOYEE CONTRIBUTIONS -	$65,421,614	$65,421,614
Actual Employer Current Service Contributions	$82,361,636	
Employer Contributions made from Surplus	35,393,276	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$117,754,912	
Employer Special Payments	11,199,224	
TOTAL EMPLOYER CONTRIBUTIONS -	$128,954,136	$128,954,136
TOTAL CONTRIBUTIONS		**$194,375,750**

JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

Information provided by Statistics Canada based on information collected by the Division indicates that as of January 1, 1998, there were 1,533 pension plans in all jurisdictions covering 154,391 Nova Scotia Employees. The Division supervised 501 plans covering 67,665 members; 7,485 of these members were employed in other provinces.

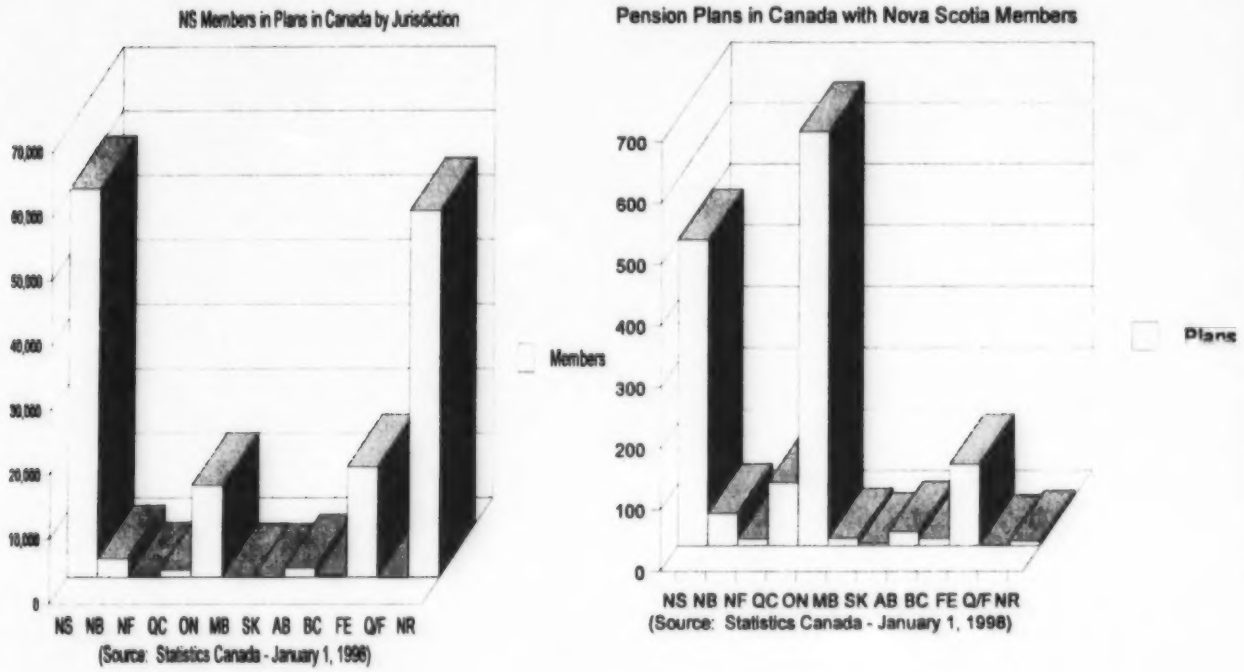


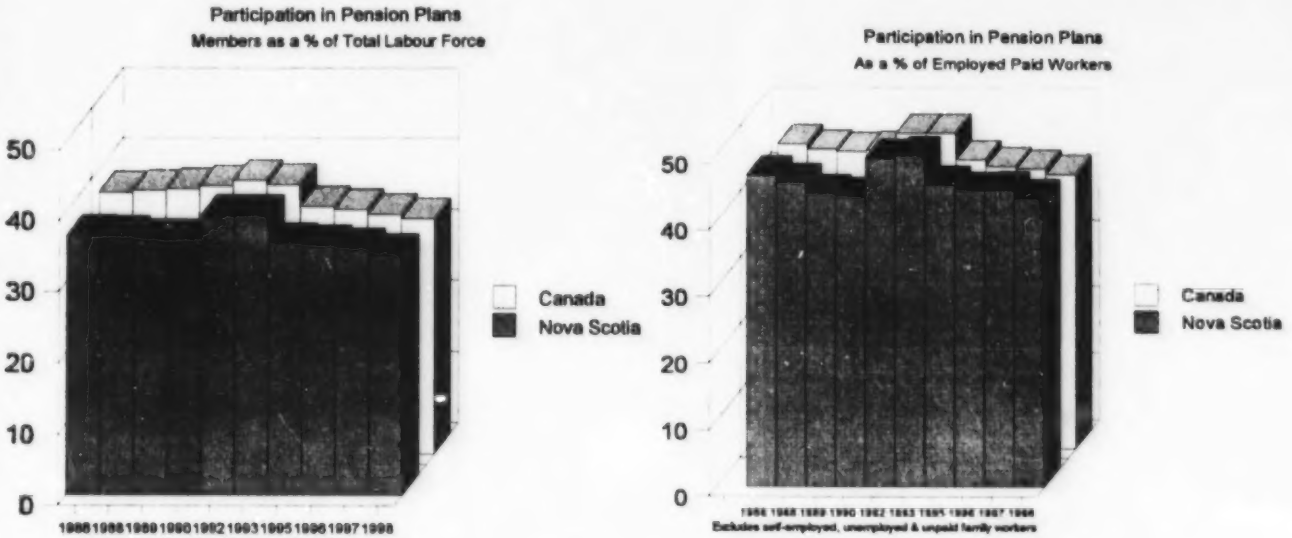
Figure 2

FE - Federal

Q/F - Registered both with Quebec and the Federal Government.

N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges and Members of the Legislature as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

As shown below, participation of Nova Scotians in pension plans has declined since 1986, both as a percent of the total labour force and as a percent of employed paid workers. Note that with respect to labour force coverage pension plan membership is potentially available to paid workers only; self-employed owners of unincorporated business, unpaid family workers and the unemployed are not eligible for membership.



(Source: Statistics Canada)

Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. 56.8 per cent of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:

Federal and Provincial Government downsizing between 1994 and 1998 has contributed to declining membership in public sector plans. Between January 1, 1994 and 1996, public sector membership dropped 3% and again by the same amount between 1996 and 1998. Membership in private sector plans increased slightly (1% in each of the two-year periods).[1]

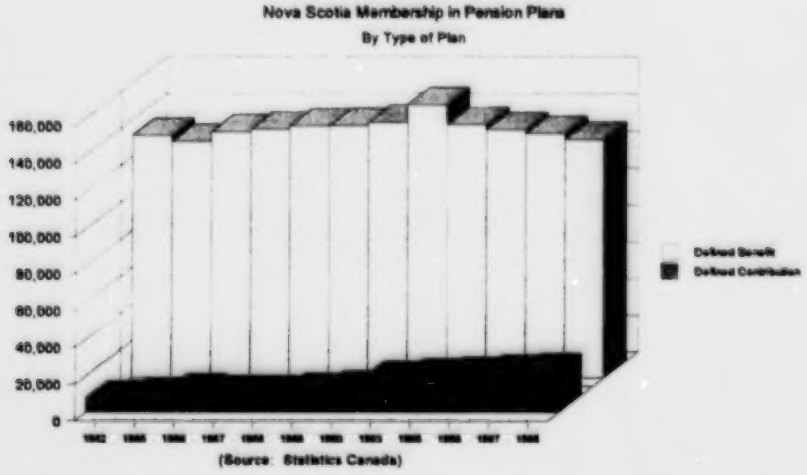
TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type.

Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

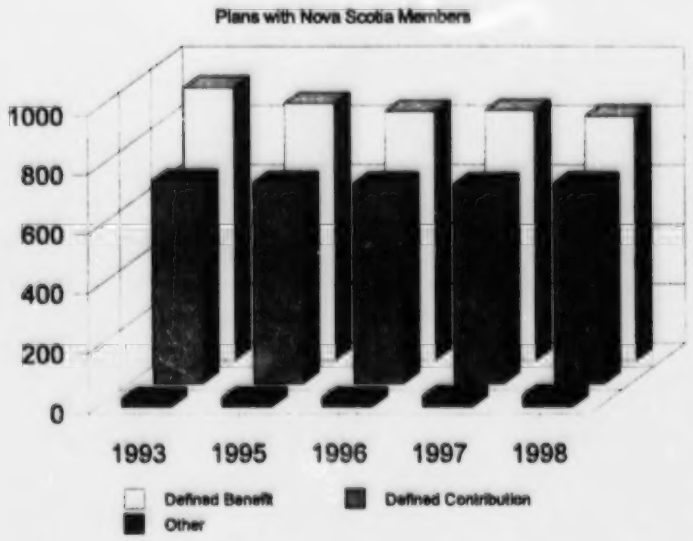
A defined benefit plan contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an Actuary to estimate periodically how large the fund should be and how much should be contributed to ensure adequate funding of the benefits. To date, the most common type of plan is a defined benefit plan.

As of January 1, 1998, there were 22,654 Nova Scotia members participating in defined contribution plans, 129,265 participating in defined benefit plans and 2,472 in other composite/combination plans.



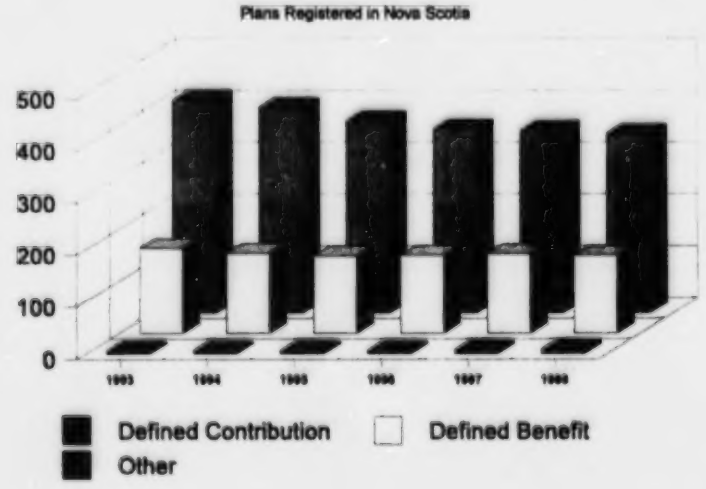
Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the above chart. Participation in defined contribution plans is steadily increasing.

[1] Excerpts from "Pension Plans in Canada January 1, 1998" released by Statistics Canada.



The number of defined benefit pension plans with Nova Scotia members declined 10.6% from 1993 to 1998. Defined Contribution plans with Nova Scotia members declined 1.3% in the same period.

However, defined contribution pension plans registered with Nova Scotia (i.e. with the majority of members in Nova Scotia) have been steadily declining.



Defined Benefit plans registered in Nova Scotia declined 8.5% from 1993 to 1998.
Defined Contribution plans registered in Nova Scotia declined 15.9% from 1993 to 1998.

REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 1999

Fees are payable in respect of all Applications for Registration of pension plans and for each Annual Information Return filed on a plan. The Registration and Annual Information filing fee is $5.00 for each member of the pension plan in Nova Scotia or in a designated province with a minimum fee of $100.00. The maximum fee is $5,000.00. A late filing fee is charged in respect of Annual Information Returns submitted more than six months after the end of the fiscal year of the pension plan. The additional fee is 50% of the regular fee.

The fee payable for registration by a financial institution of a specimen Life Income Fund is $1,000.00.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to $267,647.

Direct operating costs for the Division for the fiscal year 1998/99 were $163,844.